

IOWA PUBLIC POWER AGENCY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

IOWA PUBLIC POWER AGENCY

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IOWA PUBLIC POWER AGENCY
Board of Directors
December 31, 2020

Board Members

Greg Fritz (President)
NIMECA

Nancy Janssen (Vice President)
Breda Municipal Utilities

John Bilsten (Secretary-Treasurer)
Algona Municipal Utilities

Kyle Yates
SIMECA

Gage Huston
Muscatine Water & Power

Merlin Sawyer
Missouri River Energy Services

Kris Stubbs
Resale Power Group of Iowa (RPGI)

Representing

North Iowa Municipal Electric
Cooperative Association (NIMECA)

Independent Utilities

Independent Utilities

South Iowa Municipal Electric
Cooperative Association (SIMECA)

Independent Utilities

Missouri Basin Electric Cooperative
Association

Resale Power Group of Iowa (RPGI)

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Iowa Public Power Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Iowa Public Power Agency (a not-for-profit Organization and a political subdivision of the State of Iowa) which comprise the statements of net position as of December 31, 2020 and 2019 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Iowa Public Power Agency

Basis for Qualified Opinion

Management of Iowa Public Power Agency has elected to capitalize the debt issuance costs of the electric transmission revenue refunding capital loan notes issued on September 30, 2020, and amortize the cost over the term of the debt. The unamortized balance is reported as other assets on the Statements of Net Position. Accounting principles generally accepted in the United States of America require that debt issuance costs be recorded as expense in the year of the debt issuance. If the Agency recorded the debt issuance cost as expense in year ended December 31, 2020, other assets would have been decreased by \$57,506 and expense would have been increased by \$57,506. Net position at December 31, 2020 would have decreased by \$57,506.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Public Power Agency as of December 31, 2020 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Public Power Agency as of December 31, 2019 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 5 through 5c be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
Iowa Public Power Agency

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Iowa Public Power Agency's basic financial statements. The supplementary information on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2021 on our consideration of Iowa Public Power Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Iowa Public Power Agency's internal control over financial reporting and compliance.

G. M. W. B. P. C.

Atlantic, Iowa
February 15, 2021

IOWA PUBLIC POWER AGENCY

Management's Discussion And Analysis

Iowa Public Power Agency provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis is for the Agency's fiscal years ended December 31, 2020 and 2019.

Iowa Public Power Agency (IPPA) is a joint action agency, organized as a political subdivision and as a not-for-profit organization, under chapters 28E, 28F, 390, and 504A of the Code of Iowa. Its purpose is to effect joint development of projects for the benefit of municipally-owned electric utilities. IPPA is governed by a seven person Board of Directors, representing not only independent municipal electric utilities, but also four other electric joint action agencies.

2020 Financial Highlights

- Principal payments of \$140,000 (\$135,000 in 2019) were made on the \$3.2 million in electric revenue bonds sold in 2009 to finance 161 KV network transmission facilities co-owned with MidAmerican Energy Company, identified as the Grimes-Granger Project. These bonds were refunded on September 30, 2020.
- Revenues for 2020 totaled \$639,828, as compared to \$651,153 in 2019. Revenues in both years consisted of revenues from transmission assets assigned to control of the Midwest Independent System Operator (MISO), as well as recovery of eligible expenses related to operation, maintenance, and administration of those assets, in addition to operating assessments to participating municipal utility owners.
- Operating expenses for 2020 totaled \$111,203, as compared to 2019 expenses of \$112,389, a significant portion (69%) of which is related to depreciation on transmission assets. It should be noted that amortizations related to organizational and other costs are treated as non-operating adjustments to income.

Basis of Accounting

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, following the Uniform System of Accounting prescribed by the Federal Energy Regulatory Commission. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Financial Analysis of the Agency

Net Position is often considered a useful indicator of financial position, but in IPPA's case is expected to decrease over time. The purpose of the Agency is to provide for joint financing and management of transmission assets, with any financial benefits flowing to the members in the form of dividends. Recovery of costs related to transmission in any given calendar year lags by several months, and begin to be recovered in June of the following year. This contributes to negative cash flow, which was planned for by establishing significant cash reserves at the time of the original financing.

In 2020, the Agency's Net Position increased by \$54,877.

A summary of the Agency's financial information follows:

Statements of Net Position

	<u>2020</u>	<u>2019</u>
<u>Assets and Deferred Outflow of Resources</u>		
Utility Plant:		
Depreciable capital assets	\$ 3,016,843	\$ 2,994,936
Accumulated depreciation	<u>(879,201)</u>	<u>(802,818)</u>
Net utility plant	2,137,642	2,192,118
Special Purpose (Bond) Funds	328,984	318,123
Current Assets	467,171	560,615
Other Assets	<u>57,506</u>	<u>38,695</u>
Total Assets	2,991,303	3,109,551
Deferred Outflow of Resources on Refunding	<u>33,749</u>	<u>--</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 3,025,052</u>	<u>\$ 3,109,551</u>
<u>Liabilities and Net Position</u>		
Current Liabilities	\$ 191,904	\$ 154,280
Long-Term Debt	<u>1,883,000</u>	<u>2,060,000</u>
Total Liabilities	2,074,904	2,214,280
Net Position	<u>950,148</u>	<u>895,271</u>
Total Liabilities and Net Position	<u>\$ 3,025,052</u>	<u>\$ 3,109,551</u>

Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 639,828	\$ 651,153
Operating Expenses:		
Operating labor and benefits	16,861	16,861
Insurance	4,949	4,951
Miscellaneous	889	984
Professional fees	5,866	6,370
Property tax	3,224	3,226
Transmission operation and maintenance	3,031	4,312
Provision for depreciation	<u>76,383</u>	<u>75,685</u>
Total operating expenses	<u>111,203</u>	<u>112,389</u>
Income from Operations	528,625	538,764
Non-Operating Revenues (Expenses)	<u>(123,750)</u>	<u>(141,599)</u>
Net Income	404,875	397,165
Net Position, Beginning	895,271	848,104
Participant Distributions from Net Position	<u>(349,998)</u>	<u>(349,998)</u>
Net Position, Ending	<u>\$ 950,148</u>	<u>\$ 895,271</u>

DEBT ADMINISTRATION

On December 30, 2009, Iowa Public Power Agency successfully completed the issuance of taxable electric revenue bonds in the amount of \$3.2 million. Proceeds of the debt, revenues from rents of the transmission facilities financed, and participants' cash contributions are being used to pay debt service and to provide for cash flow of the organization. The debt is serviced by making principal and interest payments over a twenty year period, at an approximate average interest rate of 6.5%.

On September 30, 2020, the Agency refunded these bonds by issuing electric transmission revenue refunding capital loan notes in the amount of \$2,060,000 at an interest rate of 2.45% per annum.

BACKGROUND OF IOWA PUBLIC POWER AGENCY

The Iowa Public Power Agency was established in 2002 by the municipal electric utilities of Algona, Atlantic, and Traer, Iowa. The organization was incorporated as a not-for-profit entity by Robert Haug, the Executive Director of the Iowa Association of Municipal Utilities. The three utilities then executed agreements under Chapters 28E, 28F, and 390 of the Code of Iowa, which gave the Agency status as a political subdivision of the State of Iowa.

The purpose of the organization is to promote and nurture any and all types of cooperative ventures by and between Iowa municipal electric utilities. Iowa law allows any two or more political subdivisions to do together anything which they can legally do individually, and in the case of jointly-owned electric facilities, to finance on behalf of the group.

Iowa Public Power Agency represents the Iowa members of the Midwest Municipal Utility Association, which does business as the "Midwest Municipal Transmission Group", or "MMTG". MMTG and MidAmerican Energy Company are signatories to an agreement whereby municipal electric utilities can, through IPPA, invest in network electric transmission projects. To date, two projects have been undertaken jointly with MidAmerican. The first project included improvements to the transmission system in the Davenport-Moline (Quad Cities) area, and was identified as the "Quad Cities West Flowgate Improvements", or simply "Quad Cities West". Quad Cities West was a fairly small project for IPPA, with a total of \$160,275 invested.

The second project, the Grimes-Granger Project, was brought to a successful conclusion at the end of 2009. IPPA was invited by MidAmerican to finance and own 25 percent of the facilities defined as "network transmission" - a total investment of nearly \$3 million.

IPPA finances and owns these transmission facilities, on behalf of sixteen participating members. Its responsibilities are to administer the investments, and to take all actions necessary to recover costs of the facilities through the appropriate transmission tariff mechanisms.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

If you have any questions about this report, or need additional financial information, contact either of the parties listed below:

Allen Bonderman, Business Agent; 203 East 19th St.; Atlantic, IA 50022

John Bilsten, Secretary-Treasurer; c/o Algona Municipal Utilities; 104 W. Call, Algona, IA 50511

IOWA PUBLIC POWER AGENCY
Statements of Net Position
December 31,

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

	<u>2020</u>	<u>2019</u>
Utility Plant:		
Depreciable capital assets	\$ 3,016,843	\$ 2,994,936
Accumulated depreciation	<u>(879,201)</u>	<u>(802,818)</u>
Net utility plant	2,137,642	2,192,118
Special Purpose Funds:		
Bond reserve fund	206,008	297,166
Bond sinking fund	<u>122,976</u>	<u>20,957</u>
Non-current special purpose funds	328,984	318,123
Current Assets:		
Cash and cash equivalents	419,769	511,533
Accounts receivable	<u>47,402</u>	<u>49,082</u>
Total current assets	467,171	560,615
Other Assets:		
Other	<u>57,506</u>	<u>38,695</u>
Total assets	2,991,303	3,109,551
Deferred Outflow of Resources on Refunding	<u>33,749</u>	<u>--</u>
Total assets and deferred outflow of resources	<u>\$ 3,025,052</u>	<u>\$ 3,109,551</u>

LIABILITIES AND NET POSITION

Current Liabilities:		
Current maturities of long-term debt	\$ 177,000	\$ 140,000
Accrued payroll	2,232	2,232
Accrued interest	<u>12,672</u>	<u>12,048</u>
Total current liabilities	191,904	154,280
Long-Term Debt, less current maturities	<u>1,883,000</u>	<u>2,060,000</u>
Total liabilities	2,074,904	2,214,280
Net Position:		
Net investment in capital assets	77,642	(7,882)
Restricted - expendable	328,984	318,123
Unrestricted	<u>543,522</u>	<u>585,030</u>
Total net position	<u>950,148</u>	<u>895,271</u>
Total liabilities and net position	<u>\$ 3,025,052</u>	<u>\$ 3,109,551</u>

The accompanying notes are an integral part of these statements.

IOWA PUBLIC POWER AGENCY
Statements of Revenues, Expenses and Changes in Net Position
Year Ended December 31,

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Rent from electric property	\$ 289,830	\$ 301,155
Participant assessments	<u>349,998</u>	<u>349,998</u>
	639,828	651,153
Operating Expenses:		
Operating labor and benefits	16,861	16,861
Insurance	4,949	4,951
Miscellaneous	889	984
Professional fees	5,866	6,370
Property tax	3,224	3,226
Transmission operation and maintenance	3,031	4,312
Provision for depreciation	<u>76,383</u>	<u>75,685</u>
Total operating expenses	<u>111,203</u>	<u>112,389</u>
Income from Operations	528,625	538,764
Non-Operating Revenues (Expenses):		
Income from investments	3,375	15,771
Amortization	(5,555)	(5,736)
Interest expense	<u>(121,570)</u>	<u>(151,634)</u>
Non-operating revenues (expenses), net	<u>(123,750)</u>	<u>(141,599)</u>
Net Income	404,875	397,165
Net Position, Beginning	895,271	848,104
Participant Distributions from Net Position	<u>(349,998)</u>	<u>(349,998)</u>
Net Position, Ending	<u>\$ 950,148</u>	<u>\$ 895,271</u>

The accompanying notes are an integral part of these statements.

IOWA PUBLIC POWER AGENCY
Statements of Cash Flows
Year Ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers and participants	\$ 291,510	\$ 295,338
Cash paid to suppliers	(20,420)	(22,304)
Cash paid to employee	(14,400)	(14,400)
Net cash provided by operating activities	<u>256,690</u>	<u>258,634</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(21,907)	(31,787)
Interest payments on long-term debt	(120,081)	(152,276)
Principal payment on long-term debt	(140,000)	(135,000)
Payments for other assets	(58,980)	--
Net cash used in capital and related financing activities	<u>(340,968)</u>	<u>(319,063)</u>
Cash flows from investing activities:		
Income from investments	<u>3,375</u>	<u>15,771</u>
Net decrease in cash	(80,903)	(44,658)
Cash and cash equivalents at beginning of year	<u>829,656</u>	<u>874,314</u>
Cash and cash equivalents at end of year	<u>\$ 748,753</u>	<u>\$ 829,656</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents in current assets	\$ 419,769	\$ 511,533
Cash and cash equivalents in special purpose funds	<u>328,984</u>	<u>318,123</u>
	<u>\$ 748,753</u>	<u>\$ 829,656</u>

Non-Cash Transactions:

The Agency also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of income from operations to net cash provided by operating activities:

	<u>2020</u>	<u>2019</u>
Debt issued and principal payment from refunding of debt	<u>\$ 2,060,000</u>	<u>\$ --</u>

(continued next page)

IOWA PUBLIC POWER AGENCY
Statements of Cash Flows - Continued
Year Ended December 31,

	<u>2020</u>	<u>2019</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 528,625	\$ 538,764
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Participant assessments	(349,998)	(349,998)
Depreciation	76,383	75,685
Change in assets and liabilities:		
Accounts receivable	<u>1,680</u>	<u>(5,817)</u>
Total adjustments	<u>(271,935)</u>	<u>(280,130)</u>
Net cash provided by operating activities	<u>\$ 256,690</u>	<u>\$ 258,634</u>

The accompanying notes are an integral part of these statements.

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

The Iowa Public Power Agency (IPPA or Agency) is an Iowa not-for-profit organization and a political subdivision of the State of Iowa organized pursuant to Chapters 28E, 28F, 390 and 504A of the Code of Iowa. As a political subdivision, it is exempt from income taxes. IPPA is a municipal joint action agency established by the Traer Municipal Utilities, Algona Municipal Utilities, and Atlantic Municipal Utilities. IPPA's Bylaws state: "The purpose, power and function of the Iowa Public Power Agency is to effect joint development of projects for the benefit of members and to utilize to the full extent possible all powers granted by Chapters 28E, 28F, 390 and 504A of the Code of Iowa to promote the interest of members in the operation of their utilities through the development and implementation of projects on a joint basis." IPPA promotes the concepts of municipal utilities working together on projects of any and all kinds. Any city utility or electric power agency organized as a political subdivision may become a member of the IPPA by making application for membership and agreeing to comply with the rules and regulations of the Agency. IPPA is governed by a seven person Board of Directors with 3 year terms. Directors represent municipal electric joint action agencies across Iowa, as well as independent municipal utilities who are not affiliated with any joint action agency.

For financial reporting purposes, IPPA has included all funds, organizations, agencies, boards, commissions and authorities. IPPA has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with IPPA are such that exclusion would cause IPPA's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of IPPA to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on IPPA. IPPA has no component units which meet the Governmental Accounting Standards Board criteria.

The Agency reports in accordance with Governmental Accounting Standards and Uniform Systems of Accounts prescribed by the Federal Energy Regulatory Commission.

2. Basis of Presentation

The Statement of Net Position displays IPPA's assets, deferred outflow of resources, and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

Restricted net position:

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by IPPA.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is IPPA's policy to use restricted net position first.

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

IPPA's financial statements are reported as a proprietary fund, which distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency result from fees for the use of transmission lines and from participant operating cost assessments. Operating expenses for the Agency include the cost of project studies and development, administrative expense and depreciation on capital assets.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Agency Plant and Depreciation

The straight-line method is used for computing depreciation with lives on machinery and equipment ranging from three to forty years. Cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties in efficient operating condition are charged to expense. Agency plant accounts are charged with the cost of improvements and replacements of the plant.

6. Revenue Recognition

Revenues from transmission or other utility services and participant operating assessments are recorded as revenue when earned or assessed. Participant contributions for capital projects are recorded as contributions to net position.

7. Investments

Investments are reported at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are carried at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the reported sales price and current exchange rates at year end. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in other income when earned.

8. Purpose of Special Funds

IPPA has set aside certain of its assets for specific purposes. The revenue bond funds are the result of requirements established in bond issue documents. Use of restricted or unrestricted resources for individual projects is determined by the IPPA Board of Directors based on the facts regarding each specific situation.

9. Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of less than three months to be cash equivalents.

10. Deferred Outflow of Resources

Deferred outflow of resources represents a consumption of net position applicable to future periods which will not be recognized as an outflow of resources (expense) until then. Deferred outflow of resources consists of an unrecognized item not yet charged to interest expense related to the refunding of debt.

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2020 and 2019

NOTE B - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended December 31, 2020 and 2019 are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Balance December 31, 2018	\$ 2,963,149	\$ 727,133
Additions	31,787	75,685
Disposals	<u>--</u>	<u>--</u>
Balance December 31, 2019	2,994,936	802,818
Additions	21,907	76,383
Disposals	<u>--</u>	<u>--</u>
Balance December 31, 2020	<u>\$ 3,016,843</u>	<u>\$ 879,201</u>

All capital assets currently represent a share of utility transmission lines under a group sharing arrangement and office equipment.

NOTE C - SPECIAL PURPOSE FUNDS

Restricted expendable assets are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Restricted by Bond Resolution for:		
Payment of principal and interest	<u>\$ 328,984</u>	<u>\$ 318,123</u>

NOTE D - DEPOSITS AND INVESTMENTS

The Agency's deposits and investments at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Unrestricted Funds:		
Cash	\$ 303,333	\$ 68,212
IPAIT - cash equivalents	<u>116,436</u>	<u>443,321</u>
	419,769	511,533
Special Purpose Funds:		
IPAIT - cash equivalents	<u>328,984</u>	<u>318,123</u>
Total deposits and investments	<u>\$ 748,753</u>	<u>\$ 829,656</u>

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2020 and 2019

NOTE D - DEPOSITS AND INVESTMENTS - Continued

The Agency's deposits at December 31, 2020 and 2019 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Agency is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency has investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$445,420 (\$761,444 in 2019) pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Agency's investment in IPAIT is unrated.

The Agency had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - The Agency's investment policy limits the investment of funds to IPAIT or short term deposits in banks located in the State of Iowa. The maturities shall be consistent with the needs and use of the Agency.

Credit risk - The Agency's investment in the Iowa Public Agency Investment Trust is unrated.

NOTE E - NON-CURRENT LIABILITIES

A schedule of changes in IPPA's non-current liabilities for the years ended June 30, 2020 and 2019 follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2020</u>	<u>Current Portion</u>
2009 Revenue Bonds	\$ 2,200,000	\$ --	\$ 2,200,000	\$ --	\$ --
2020 Revenue Capital Loan Notes	<u>--</u>	<u>2,060,000</u>	<u>--</u>	<u>2,060,000</u>	<u>177,000</u>
Long-Term Debt, Net	<u>\$ 2,200,000</u>	<u>\$ 2,060,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,060,000</u>	<u>\$ 177,000</u>

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2020 and 2019

NOTE E - NON-CURRENT LIABILITIES - Continued

	<u>Balance 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2019</u>	<u>Current Portion</u>
2009 Revenue Bonds	\$ 2,335,000	\$ --	\$ 135,000	\$ 2,200,000	140,000
Long-Term Debt, Net	\$ 2,335,000	\$ --	\$ 135,000	\$ 2,200,000	\$ 140,000

Series 2009 Revenue Bonds

The 2009 Series Revenue Bonds constituted a lien on the net income of IPPA. The bonds matured in increasing amounts ranging from \$140,000 in 2020 to \$275,000 in 2030. Interest rates ranged from 5.95% to 6.8%. The part of these bonds maturing on and after December 1, 2018 were subject to early redemption on or after that date. The bonds were current refunded by the Series 2020 Revenue Refunding Capital Loan Notes in fiscal year 2020.

Series 2020 Revenue Refunding Capital Loan Notes

The Agency issued \$2,060,000 of electric transmission revenue refunding capital loan notes, taxable series 2020, on September 30, 2020, to current refund the electric transmission revenue bonds dated December 22, 2009. The notes constitute a lien on the net income of the Agency. The notes mature in increasing amounts ranging from \$177,000 in 2021 to \$230,000 in 2030. The interest rate for these notes is 2.45%.

The annual debt service on the bonds is expected to require approximately 42% of net income available for debt service. For the current year, debt service and net income available for debt service were approximately \$255,100 and \$608,400 respectively.

The resolutions of the Board of Directors authorizing the issuance of the 2020 notes specify the creation and maintenance of a sinking fund and a debt service reserve fund. Funding requirements have been fulfilled for the debt service reserve fund. The requirements for the sinking fund include the monthly accumulation of principal and interest for the next due dates. Principal and interest payments required on the long-term debt during each of the five years ending December 31, 2021 through 2025 and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 177,000	\$ 59,022	\$ 236,022
2022	190,000	46,133	236,133
2023	194,000	41,478	235,478
2024	199,000	36,725	235,725
2025	204,000	31,850	235,850
2026-2030	<u>1,096,000</u>	<u>81,831</u>	<u>1,177,831</u>
	<u>\$ 2,060,000</u>	<u>\$ 297,039</u>	<u>\$ 2,357,039</u>

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2020 and 2019

NOTE F - DEFEASANCE OF DEBT

On September 30, 2020, the Agency issued \$2,060,000 of electric transmission revenue refunding capital loan notes with an interest rate of 2.45% to current refund \$2,060,000 of electric transmission revenue bonds dated December 22, 2009 with interest rates of 2.35% - 6.80%. The net proceeds of \$2,001,020 (after payment of \$58,980 in debt issuance costs) and existing funds were used to refund the debt. The refunding was undertaken to reduce total debt service payments over the next 10 years by \$538,718 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$472,022.

NOTE G - PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 6.29% of their annual salary and the Agency is required to contribute 9.44% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the two years ended June 30, 2020 were \$1,360 each year, equal to the required contributions.

The Government Accounting Standards Board Statement #68 requires a state or local government employer to recognize its pro rata share of the total unfunded net pension liability of the plan it participates in (IPERS). In addition, the employer is required to annually recognize changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from events related to the plan.

Management of IPPA has determined that its pro rata share of the IPERS' unfunded liability and the related deferred outflows and inflows are not material to their financial statements, and has elected to not record the liability and related items in its financial statements.

NOTE H - CONTINGENCIES

Risk Management

IPPA is exposed to risks of liability claims related to business risks of loss. These risks are covered to the extent practical by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Subsequent Event

The Agency has evaluated all subsequent events through February 15, 2021, the date the financial statements were available to be issued.

* * *

SUPPLEMENTARY INFORMATION

IOWA PUBLIC POWER AGENCY
Net Income Available for Debt Service
December 31, 2020

Net Income Per Statement of Revenues, Expenses and Changes in Net Position	\$ 404,875
Add:	
Depreciation	76,383
Amortization	5,555
Interest	<u>121,570</u>
Net Income Available for Debt Service	<u>\$ 608,383</u>
Maximum Debt Service in Any Year	<u>\$ 236,133</u>
Debt Service Coverage	<u>2.58</u>

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Iowa Public Power Agency

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Iowa Public Power Agency, as of and for the years ended December 31, 2020 and 2019, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iowa Public Power Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Public Power Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Iowa Public Power Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency: 20-I-A.

To the Board of Directors
Iowa Public Power Agency

Compliance and Other Matters

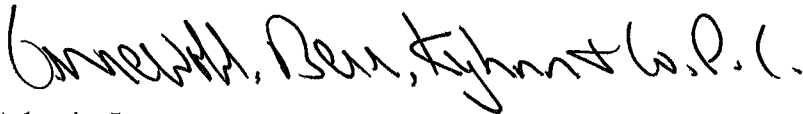
As part of obtaining reasonable assurance about whether Iowa Public Power Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Response to Finding

Iowa Public Power Agency's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Iowa Public Power Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlantic, Iowa
February 15, 2021

IOWA PUBLIC POWER AGENCY
Schedule of Findings and Responses
Year Ended December 31, 2020

PART I - INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Agency's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Agency has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Agency to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Agency to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

IOWA PUBLIC POWER AGENCY
Schedule of Findings and Responses
Year Ended December 31, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- 20-II-A Questionable Expenditures - No expenditures were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 20-II-B Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- 20-II-C Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.
- 20-II-D Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 20-II-E Restricted Donor Activity - No transactions were noted between the Agency, Agency officials, Agency employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 20-II-F Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- 20-II-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

* * *